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FINAL REPORT

DEVELOPING AN OUTSOURCING SALES MODEL FOR DIGITAL EQUIPMENT CORPORATION

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Prepared by

INPUT

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DEC OMS Reward Structure

DEC OMS Reward Structure

The sales reward structure is based on the maximum commission potential for a lead delivered by a sales organization outside of OMS (e.g. ABU or VAR). The contract value on which the commission is applied may be estimated in the earlier sales phases, with adjustments applied, if appropriate. In this model that maximum commission amount is 1x. In addition, compensation will be awarded to OMS groups involved in the sales process: the Business Development Manager and the Capture Team. OMS's Business Development Manager leads the qualification process and may generate leads from his/her own sources (although OMS generated new business leads will not be encouraged due to the potential conflict and misuse of resources that may arise –See INPUT's paper *OMS Sales Cycle: Groups Involved At Each Stage Of The Cycle*). Since this position is the most sales-oriented within OMS, the largest portion of the internal OMS "reward compensation" is directed to this position. The Capture Team focuses on the bid creation and negotiation. This group would receive a bonus based upon the success of these proposals but their primary compensation would be salary. The Capture Team must be motivated to pursue the larger, more complex and higher risk contracts. These contracts are larger but the length of time required in the bid/award process is long and the probability of success may not be high. However, selected contracts in this area should be pursued and this team is the most involved in the sales process for these large contracts. This Team's measurements should include incentives to participate in qualified, larger contracts. Otherwise, the Capture Team may chase revenue in the form of many smaller, higher probability contracts that may return short term benefits to the Team but may not be as strategic as one or two large contracts. The salary/bonus structure provides DEC management with the flexibility to direct the Team towards larger contracts, if appropriate.

INPUT believes that it is important that the sales team (both OMS and channel – ABU & VAR) participate in some of the recurring revenue generated from a successful outsourcing contract. An effective approach would be for the team to receive compensation based on the revenue received from the contract in the second year of its operation. The compensation would be paid in the second year to the sales account teams responsible for the contract award. It may be required that OMS reward payments be made to a DEC organization (e.g. ABU) instead of a specific individual or sales team. This is an internal matter but it is important that the non OMS sales team receives visibility of the compensation generated from their OMS sales activities.

Once OMS is established, much of its business will result from follow-on assignments. These contracts will be awarded because of client satisfaction with the work performed and the "sales effort" of the services account manager. Neither the OMS Business Develop Manager nor the channel sales organization will contribute significantly to this sales effort. Both groups., however, should receive an incentive due to their past participation and to keep them motivated. The Capture Team should also receive compensation, albeit at a reduced rate, for this follow-on business. The Team will expend

a much lower level of effort to win this business than for traditional new business activities and the probability for success in significantly higher.

The charts on the following page summarizes a recommended reward model of OMS sales. The exact amount of payment may be modified but the theory of allocating "reward dollars" based on the sales phase and participant should remain in any compensation plan. Chart A summarizes the award structure for new business activity generated through non OMS channels, Chart B reflects the award structure for new business derived from the OMS Business Development Manager and Chart C identifies the award structure for follow-on business.

Chart A

DEC OMS Reward Structure
New Business – Hardware Channel Lead

Sales Phase	Hardware Channel	OMS Business Development Mgr	OMS Capture Team*
Lead Generation	0	0	0
Lead Acceptance by OMS	0.1x**	0	0
Bid Submission	0.2x**	0	0
Award - Channel Lead	0.7x**	0.3x	0..2x
Subsequent Years of Contract***	0.2x	0.1x	0.1x

X represents the maximum commission rate for the Outsourcing contract. The contract value on which the commission is applied may be estimated in the earlier phases, with adjustments applied, if appropriate

** This commission is divided among the entire OMS Capture Team, excluding the Team Leader*

***These commissions are additive. Thus if the sales channel provides a lead that becomes an outsourcing contract they receive 100% of the maximum commission (i.e. 1.0x)*

**** This commission/bonus is only paid in the second year of the contract and the rate is applied against that year 's revenue received by the company*

Chart B

DEC OMS Reward Structure
New Business – OMS Business Development Lead

Sales Phase	Hardware Channel	OMS Business Development Mgr	OMS Capture Team*
Lead Generation	0	0	0
Bid Submission	0.2x	0	0
Award	0.3x	0.3x	0..2x
Subsequent Years of Contract***	0.2x	0.1x	0.1x

X represents the maximum commission rate for the Outsourcing contract. The contract value on which the commission is applied may be estimated in the earlier phases, with adjustments applied, if appropriate

** This commission is divided among the entire OMS Capture Team, excluding the Team Leader*

**** This commission/bonus is only paid in the second year of the contract and the rate is applied against that year's revenue received by the company*

Chart C

DEC OMS Reward Structure
Follow-on Business

Sales Phase	Hardware Channel	OMS Business Development Mgr	OMS Capture Team*
Bid Submission	0	0	0
Award	0.1	0.1x	.0..1x
Subsequent Years of Contract***	0	0	0.1x

X represents the maximum commission rate for the Outsourcing contract. The contract value on which the commission is applied may be estimated in the earlier phases, with adjustments applied, if appropriate

** This commission is divided among the entire OMS Capture Team, excluding the Team Leader*

**** This commission/bonus is only paid in the second year of the contract and the rate is applied against that year's revenue received by the company*

OMS Sales Cycle:

Groups Involved at Each Stage of the Cycle

OMS SALES CYCLE: GROUPS INVOLVED AT EACH STAGE OF THE CYCLE

I. INTRODUCTORY ASSUMPTIONS

A. OMS Will Operate in a Complex Sales Environment

The OMS sales cycle will be complex because

- There will be two types of OMS sales groups.
  - Business Development Managers
  - Capture Teams
- There are three classes of lead-generating sales channels
  - Digital's own ABU sales teams
  - VARs managed by the Systems Business Unit
  - Other partners that OMS works directly with (e.g., consultants)
- The size and service composition of opportunities will vary considerably.
- In some cases, OMS may partner with other solution-providers to meet a client's needs.

B. OMS Should Not Proactively Generate Leads

INPUT believes that once the lead-generating sales channels understand the benefits of working with OMS that OMS will have, if anything, too many, not too few leads. (See the paper prepared by INPUT, "Reasons Why a Third Party Will Want to Partner with OMS".)

- From the positive standpoint, there are many services opportunities inside firms that are not being identified because no vendor asks.
- From the negative standpoint, the ABU and VAR sales forces will be primarily box-oriented. In many cases, they will refer needs that they cannot address to OMS without examining the appropriateness of the referral.
- In addition, INPUT expects that almost every well-executed OMS job will generate follow-on business. This business will be especially attractive because much of the sales cycle will be leapfrogged: Costs will be reduced and the probability of success will be much higher.

Given the very complexity of the sales environment, for OMS to be competing for leads with other sales channels could be quite destructive.

- A large element of confusion will be introduced, increasing the chances that lead-generation efforts of all parties will tend to cancel out.

- To the extent that OMS independent efforts are successful, this will tend to discourage other sales channels from generating leads. They will believe that OMS is creaming off the most desirable opportunities.

C. Lead Prioritization Will Be Critical

OMS would not want to staff up to be able to bid on all apparent opportunities:

- Many opportunities will in fact not go forward.
- Other opportunities would most likely be won by a another vendor in a competitive situation.
- In others, the probability of profit may be low.

In any event, OMS will be constrained in its available sales resources for some time to come.

D. Stages of the Sales Cycle

INPUT has identified seven stages in the OMS sales process:

- Initial lead generation by non-OMS groups
- Lead qualification and acceptance by OMS
- Prioritization of opportunities by OMS
- Requirements analysis by OMS (in preparation for a proposal and bid)
- Proposal preparation and bidding
- Closing

In the next section, INPUT discusses each of these stages and the role that OMS and other groups should play.

II. SALES CYCLE STAGES

A. Initial Lead Generation

As discussed above, the initial lead generation should in general be left to third parties (which in INPUT's analysis includes ABU). Leads can be reactive (a direct request or RFP) or proactive (where a potential opportunity is identified or developed by the third party).

The major exceptions are:

- Follow-on work to jobs that OMS has worked on. These are not "leads" in the normal sense, since most of these opportunities will have been pre-qualified and proposals/bidding are often pro forma. INPUT believes that about half of OMS new business should eventually fall into this category.

- RFPs that are formally sent to "Digital Equipment". (If a hardware sales channel organization can make a reasonable case on its pre-RFP involvement, they should receive normal credit for the lead.)

As a rule, the OMS sales force should be discouraged from developing their own direct leads. INPUT believes this both wastes valuable resources and will create confusion among its partners.

B. Lead Qualification and Acceptance

In INPUT's view the key role of the Business Development Managers will be to qualify and accept/reject leads. There are two steps involved:

- Is there enough information to make a decision?
- Is the opportunity, on its face, not attractive to OMS? (Examples: job too small; OMS would have to subcontract all of the work; inadequate budget.)

Acceptance will in virtually all cases require that the Business Development Manager meet with the actual client. This meeting would generally involve the lead-generating third party, but would be the Business Development Manager's "show".

The Business Development Manager will have two basic judgments to make:

- Is the job potentially large enough?
- Is there a sufficiently high probability of winning it?

In most cases, it will be too difficult to assess potential profitability.

OMS will supply the Business Development Manager with a set of tools to perform the job:

- Clear descriptions of capabilities, for both third parties and prospects (possibly in different forms).
- Information for third parties as to what kinds of services OMS will usually not supply and a referral list.
- Checklists for pass/fail of opportunities.
- Checklists for initial prospect meeting.

C. Prioritization Of Opportunities

A representative of the capture team will work with the Business Development Manager assign a priority to the opportunity.

- The capture team will be best placed to assess profitability.
- Priority-setting will also take into account delivery resources available, attraction as a reference account, potential for growth, etc.

This stage is an important check-and-balance stage in the process. The capture team member will serve as a counterbalance to the Business Development Manager -- the Business Development Manager's interest are that an attempt be made to capture all winnable opportunities.

A full capture team will be formed for each opportunity that is given a high enough priority to be put into the bidding queue.

- The head of the capture team for a new prospect would normally transition to being the services account manager if the job is won.
  - Except for large contracts, a services account manager will normally work on several accounts.
  - Large services accounts may have one or more assistant services account managers. The assistant account managers will be the cadres from which services account managers/capture team heads are drawn.
- For existing services clients, the services account manager would normally be the head of the capture team, except in unique situations, e.g.,
  - The new opportunity was very large and/or
  - A totally different package of services was being offered.

D. Requirements Analysis

The capture team will study requirements and Digital solutions, especially with new prospects and/or unusual delivery situations. The time and level of involvement cannot be specified in advance; the factors include:

- Size of potential contract
- Probability of winning
- Potential profit
- Delivery resources available
- Importance of account generally
- Importance as a reference account

Naturally, related follow-on work will be able to short-circuit much of this step.

E. Proposal Preparation And Bidding

For large, new and/or complex situations, the capture team will be able to draw on the resources of specialized headquarters people. Skills include proposal preparation, technologies, industries, etc. These specialists may or may not be formally on the capture team; this will depend on the situation.

F. Closing

Obviously, the closing skills of a capture team head are of high importance. In INPUT's experience, the most effective "sales person" in these situations is the person that the prospect knows will be managing the work.

III. SUMMARY

The attached exhibit summarizes the groups involved at each stage in the sales process.

- There are succeeding hand-offs from the hardware channel, to the Business Development Manager, to the capture team.

- This cannot be a cookie cutter exercise, although (as noted above) adequate training and materials will need to be supplied, especially at the beginning of the process.

- A good deal of informal training will go on as those involved in the sales cycle understand better why opportunities are won or lost and why certain opportunities are accepted at a higher rate than others.

Exhibit

OMS Sales Cycle: Groups Involved at Each Stage of Cycle

	GROUPS INVOLVED				
		OMS			
Stage	Hardware Channel (ABU;VAR)	Bus. Dev. Mgr	Capture Team	Prospect	Comments
Lead Generation	P			O	Proactive or reactive
Lead Qualification	P	P			Requests more documentation; rejects marginal opportunities
Lead Acceptance	S	P		P	Assesses probability of sale
Prioritization		S	Subset (P)		Adequate size, growth, profit
Requirements Analysis	O	O	P	P	Data collection
Proposal/Bid	I	I	P		Also: HQ support unit
Close	O	S	P	P	

Key: P = primary involvement
S = secondary involvement
O = optional involvement
I = information (i.e., kept informed)
blank = no direct role

OMS Prospect Data Base

OMS PROSPECT DATA BASE

I. Importance and Uses of an OMS Prospect Data Base

At first glance, a prospect data base may appear to be a mundane support issue to help the sales force eliminate paper records.

Actually, INPUT believes that, properly set up and used, the prospect data base will be a vital contributor to OMS' success.

A successfully implemented data base will help OMS in the following ways:

- Sales forecasts. Sales forecasting is an especially black art in services; coupled with the natural optimism of sales people the result can be disaster.

  The data base will provide a more neutral means of forecasting, along with the checks and balances inherent in having different groups involved in the sales cycle. (See the paper on the "OMS Sales Cycle: Groups Involved at Each Stage".)

  Not only can an overall forecast be generated from the data base, but the forecast can be cut a number of ways, for example:

  - By customer type
  - By region
  - By type of service
  - By OMS sales group
  - By ABU subsets
  - By VARs (and other channel partners) and classes of VAR/channel partner
  - Combinations of the above

- Allocation of sales resources and setting priorities. OMS sales resources will always be in short supply. A data base of current and upcoming opportunities will allow OMS management to adjust priorities to keep loads balanced.

- Forecasts of delivery resource requirements. Factors can be applied to pipeline totals to forecast different types of delivery resources required.

- Monitoring performance. This information will be critical for tactical, operational uses such as monitoring the performance of individuals and teams within OMS as well as sales channel partners (ABU, VARs, SBU).

- Identification of sales efficiencies (and inefficiencies). Over time, norms and benchmarks will emerge from the data. Norms should not be used in a punitive manner, but as a way to export the best practices throughout the organization.

- Improved understanding of the OMS sales process. This is related to the preceding point, but more general conclusions will be drawn from the data. For example, for some services, the qualification process may be expanded (or contracted). In other cases, differently sized prospects may be found to behave differently. Analysis of the data can do much to improve the long term effectiveness of the sales organization.

Overall, this type of data base will enable OMS management to obtain its information directly on the sales process, as opposed to being dependent solely on reports from the sales organization. Since there will in fact be a number of sales organizations involved, it is even more important that there be a common repository of sales information from which to draw.

II. OMS Prospect Data Base: Contents

The database will have the following logical sections

- Prospect organization and contact log information.
- OMS service opportunity and status summaries/codes
- Commission summaries
- Prospect organization and contact log information.
- The contents should be conventional from a content standpoint: Names, addresses, contact dates, contact summaries, etc.

- It is likely that whatever data base ABU is using or will use will probably be adequate. OMS will save time and help to ensure technical coordination by adopting the same framework used by ABU.
    - An important issue will be "What is a client organization?" For hardware purposes a firm like GE may be one (or a small number of) organization(s); for services, however, each operating unit is more likely to be a distinct client or prospect. This difference should be recognized operationally.
    - This organizational difference will also be extremely important in data base reporting and must be taken account of when setting up a data base structure.
- INPUT can supply more information on the required data fields if required.

B. OMS service opportunity and status summaries/codes

Even if the "contact" portion of the data base can be shared with or piggybacked on ABU efforts, the services portion of the data base will require customization. Ideally this will be done as part of the joint ABU/OMS data base. If this is not feasible from day one, then OMS should develop its own services prospect data base. (See II, below.)

The OMS portion of the data base should contain the following:

- Opportunities, coded to reflect OMS services contained in each opportunity.
- The sales cycle stage and dates -- date entered and date left. Note that opportunity codes may change as an opportunity progresses through the sales cycle stages.
- Lead source codes. This will be important for answering such questions as "How much of our work comes from follow-ons?"

- Opportunity value
  - Estimated dollar range in the earlier stages
  - More definite amounts in later stages
  - Probability of success (which ought to change over time)
- Person codes for OMS personnel linked to an opportunity at each stage of the sales cycle.
  - INPUT recommends that time per activity also be tracked to identify efficient and inefficient uses of time.
  - However, this time tracking should not be allowed to interfere with getting the services prospect data base operational.
- Rejection/termination codes (with linked text explanation) for each opportunity.

C. Commission summaries

The overall commission structure and objectives are discussed in "OMS Reward Structure".

Commissions should be tracked in the data base and will cover

- OMS and non-OMS activities
- Allowance should be made for non-OMS commissions being paid in some cases to organizations, rather than individuals

Commissions paid will be linked to sales cycle stages, both for control purposes and for analysis; the linkage will depend on the commission plan being used.

Commission data will be sensitive and will be in a restricted section of the data base.

Company Profiles

Profile: Andersen Consulting

Organization Chart

Andersen Consulting has built upon the strength of the "Big 6" practice management model to expand its sales and project assignments. The role of partners in a practice management structure is still evident in its organization. As shown in the organization chart for Andersen Consulting in Exhibit 1, however, there is a substantial corporate staff group addressing practice strategy, market development, technology services and other functions. The quantity of research that these groups carry out in support of sales and development strategies and methodologies is significantly in excess of other "Big 6" and most other IT companies.

There are six major industry practice groups which report to the geographical offices shown in Exhibit 1. For each of the industry vertical market areas that AC addresses, there can be a vertical market office in the geographic areas where AC has offices. In the past, the vertical market group in the U.S. played the lead role for strategy and research in all vertical markets. In order to gain further industry strength, the most knowledgeable group in each vertical market area now plays the lead role, wherever it may be located.

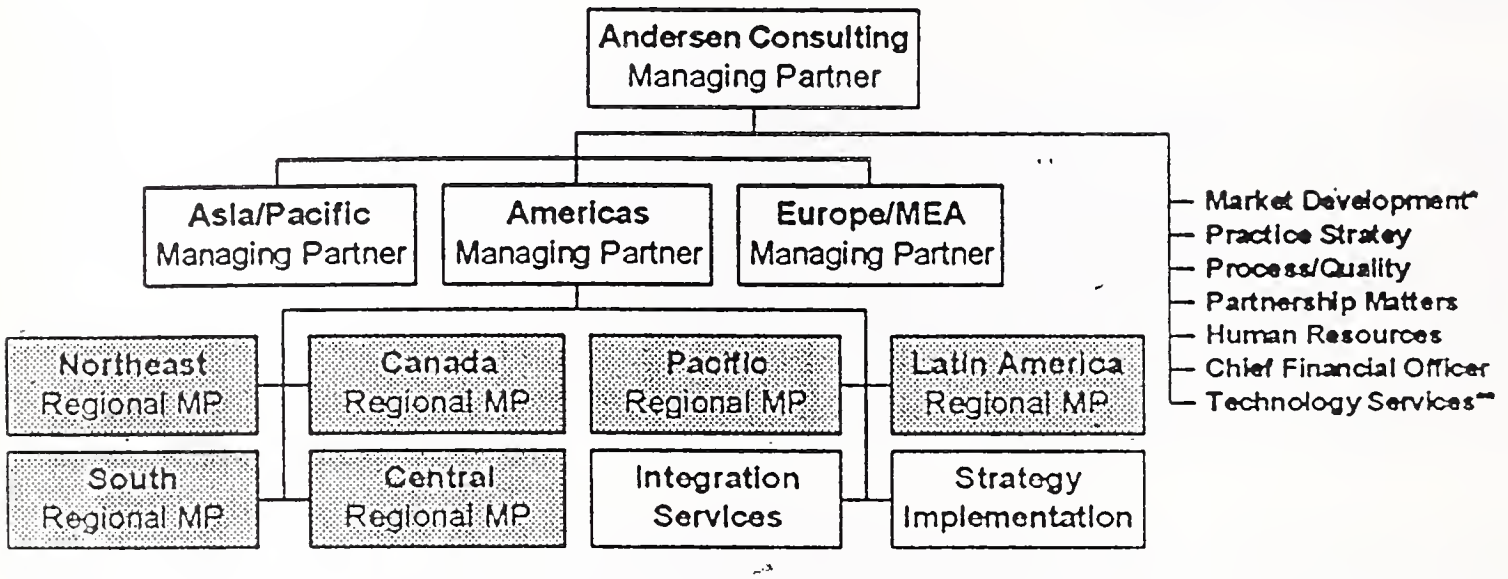
Account Management Process

Sales are the responsibility of line operations and the chief responsibility of partners as with most consulting partnerships. Tiered support in sales from the managing partner to the prospect CEO, for instance, is also used. However, AC gives more responsibility to the direct reports to partners in sales than other "Big 6" firms do, and these management levels will arrange effective demonstrations and presentations to demonstrate AC knowledge of an industry and solution approaches to problems in the industry. Both the geographic partner and the industry expert partner will be graded on whether a prospective account closes or not.

The responsibility for account management during implementation is also handled by a direct report to a partner although a multidisciplinary team may be drawn from offices throughout the partnership regardless of geography. An internal LOTUS Notes based system, Knowledge Exchange, is used to help identify people and solutions that can meet client requirements. Upon completion of projects, responsibility for continuing coverage of accounts will fall to the partner with geographic responsibility if there is no immediate follow on project or work. The partner in charge of an account is ultimately responsible

EXHIBIT 1

Organization Chart
Andersen Consulting



* Market Development has partners and supporting organizations for each major vertical industry group.

** Technology services houses training, CIO function and applications software

- Regional practice areas have vertical industry partners
- Regional practice areas have technology partners.

Shaded boxes indicate principal organizations involved in marketing, sales and account management for the commerical market place.

for both sales and implementation. This is similar to responsibility in the other "Big 6" firms and to much of the work at CSC. At EDS, the account manager is more of a king during implementation which EDS feels can help to motivate performance and hold down costs to a greater extent.

Relationship management during implementation can be a three cornered affair at AC. involving the geographic and industry expert partners as well as the project manager.

Place of Services Sales Organizations Within Product Companies

Not applicable

Salesforce compensation

The partners and direct reports who handle sales are paid at a high rate and can be paid substantial bonuses. The progress of the direct reports including their opportunity to become partners or the possibility that they may have to leave AC is based to a great extent on their performance in closing and supporting sales.

Commonalities and Differences in Sales of Different Offerings

- Services Including SI and Outsourcing

There is not much difference in sales of different services. Larger contracts (or engagement letters as they are known at Andersen Consulting) as well as jobs that can lead to big SI or professional services contracts will receive more attention. AC appears to have been wary about outsourcing contracts during the last few years, but the assumption is that they will be sought although carefully appraised.

- Staffing

Andersen Consulting like EDS tries to hire relatively inexperienced college graduates who can be trained in the way that AC conducts business. The same approach is used to hire personnel for the sales and performance of all services in most cases. People with specialized skills may be sought when necessary, but AC may also attempt to gain these skills through allies or partners when necessary. In addition to sales and technical training, direct reports to partners will gain experience from partners in sales and management.

- Reporting and Organization

The methods are identical across services as noted above.

- Across Separate Units and Sales Organizations

Not applicable.

- For Outsourcing Within a Computer Systems Company

Not applicable

Alliances, Partners and VARs (In general and for outsourcing)

- Role and Extent of Use

Andersen has a great number of partners and allies as indicated in Exhibit 2. Relationships cover a wide range of business arrangements. To manage this situation, AC utilizes the Business Integration Partnership which can establish and manage business relationships with third party providers of hardware, software and specialized services. The unit supporting these partnerships can also develop specialized channels and the generation of margin from the sale of third party products.

- How are Companies Compensated for Leads

The Business Integration Partnership mentioned above would be structured to cover arrangements and compensation for leads or for any division of work and compensation that appeared desirable.

- How are Hardware Resellers Compensated for Lost Hardware Business

The partnership agreement mentioned above could be used to structure a relationship that offered compensation for the hardware reseller. This would mean that a hardware reseller could think up an approach to a job that involved phasing out equipment or substituting equipment in a manner desirable to the reseller. Andersen could then review the plan and negotiate it with the reseller in relation to the job and client involved. This provides a framework for hardware resellers even if AC has to suggest changes to their plans.

EXHIBIT 2

Alliances and Partners

Examples of alliances announced by Andersen Consulting include the following:

- Andersen Consulting has a cooperative agreement with SAP AG whereby Andersen can market SAP's R/3 integrated business software and provide systems integration and consulting services to joint clients.

- Andersen Consulting and Norand Corporation have an alliance to market each other's products and services to retail, wholesale distribution, and consumer products clients. The agreement involves Norand's portable data collection equipment and Andersen's DCA/Logistics distribution software and MAC-PAC manufacturing software.

- Andersen Consulting has allied with Microsoft to provide services to clients in developing client/server applications.

- The organization became a remarketer of Sun Microsystems' entire line of computers and software

The Business Integration Partnership (BIP), part of the Americas Technology Integration Services organization, is Andersen Consulting's program for establishing and managing business relationships with third-party providers of hardware, software, and specialized services.

Current partners under the BIP program include Amdahl, Apple, AT&T/NCR, BBN Software Products, Dell Computer, Digital Communication Associates, DEC, FileNet, Hewlett-Packard, IBM, Infonet, Informix, Microsoft, Norand, Novell, Palett Systems, Plexus, Pyramid, Sun, Sybase, Symbol, SynOptics Communications, Systems Center and Tandem.

Profile: CSC

Organization Chart

As Exhibit 1 illustrates, CSC has multiple organizational groups involved in information services and delivers strategy and other management consulting, business reengineering, information technology consulting, requirements analysis, software development, systems integration and outsourcing services to clients. In addition to these services, CSC also delivers specific applications software and turnkey solutions to some clients.

CSC does not have as smooth an interrelationship of functions as EDS or Andersen Consulting have. The CSC Systems Group is primarily focused on federal government business. The Consulting Group provides management consulting, systems integration and technology consulting services to the commercial marketplace. However, CSC Europe supplies consulting services to public and private businesses in Europe, and for certain markets including healthcare, consumer finance and insurance, services are provided through the Industry Services Group. Also, the Technology Management Group is responsible for overseeing all commercial outsourcing related activities in the U.S.

Coordination is not perfect within the Consulting Group. CSC Consulting is the largest organization and the primary deliverer of commercial SI services in the group. CSC Index focuses on BPR and related consulting and can become involved in IT projects initiated by their consulting activities. CSC Intelicom is devoted to telecommunications consulting, but it may not become involved in telecommunications projects that CSC Consulting is performing. The fourth unit in the group, CSC Research and Advisory Services supports the other groups with research services and the development of methodologies and best practices.

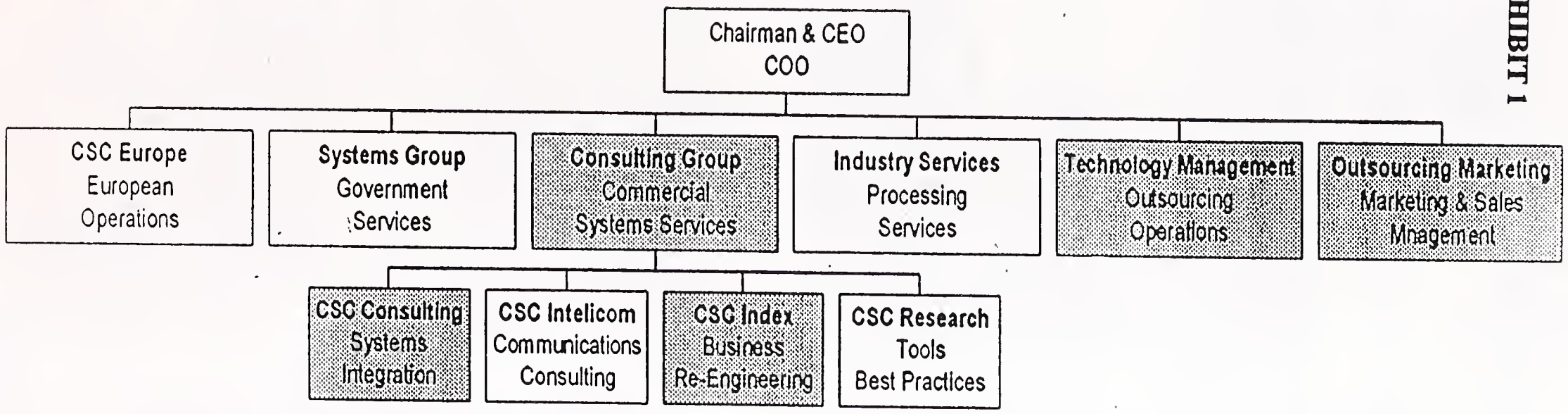
Account Management Process

SI, BPR and other consulting services are sold directly by partners within CSC Consulting units just as they are in "Big 6 firms". As in Andersen Consulting, the direct reports to managers become involved in many of these sales. One CSC manager reports that CSC makes a good effort to have direct reports with expertise in vertical markets or market niches assume a high degree of responsibility for sales. The sales effort for these services has been effective to a great extent due to the sales efforts of partners and their staffs. When outsourcing is involved, the Outsourcing Marketing Division is usually involved, and it can call on the services of multiple groups when required to close sales.

Similarly to EDS, account managers are chosen to head up SI or outsourcing jobs when deals are closed. Staffing from CSC Consulting is called upon for development work, but outside vendors or the CSC federal groups may also be called upon. When outsourcing is involved, the Technology Management Group may also be used as a subcontractor. When consulting is needed for a project, the account manager will give a subcontract to the Consulting Group for services. The act of pulling together and managing project support groups is not done as efficiently as is the case with Andersen Consulting or particularly, EDS. The account manager does not operate with as much authority at CSC, and other groups, including CSC Index, may critique the account management process according to contacts at CSC.

Organization Chart
Computer Sciences Corporation

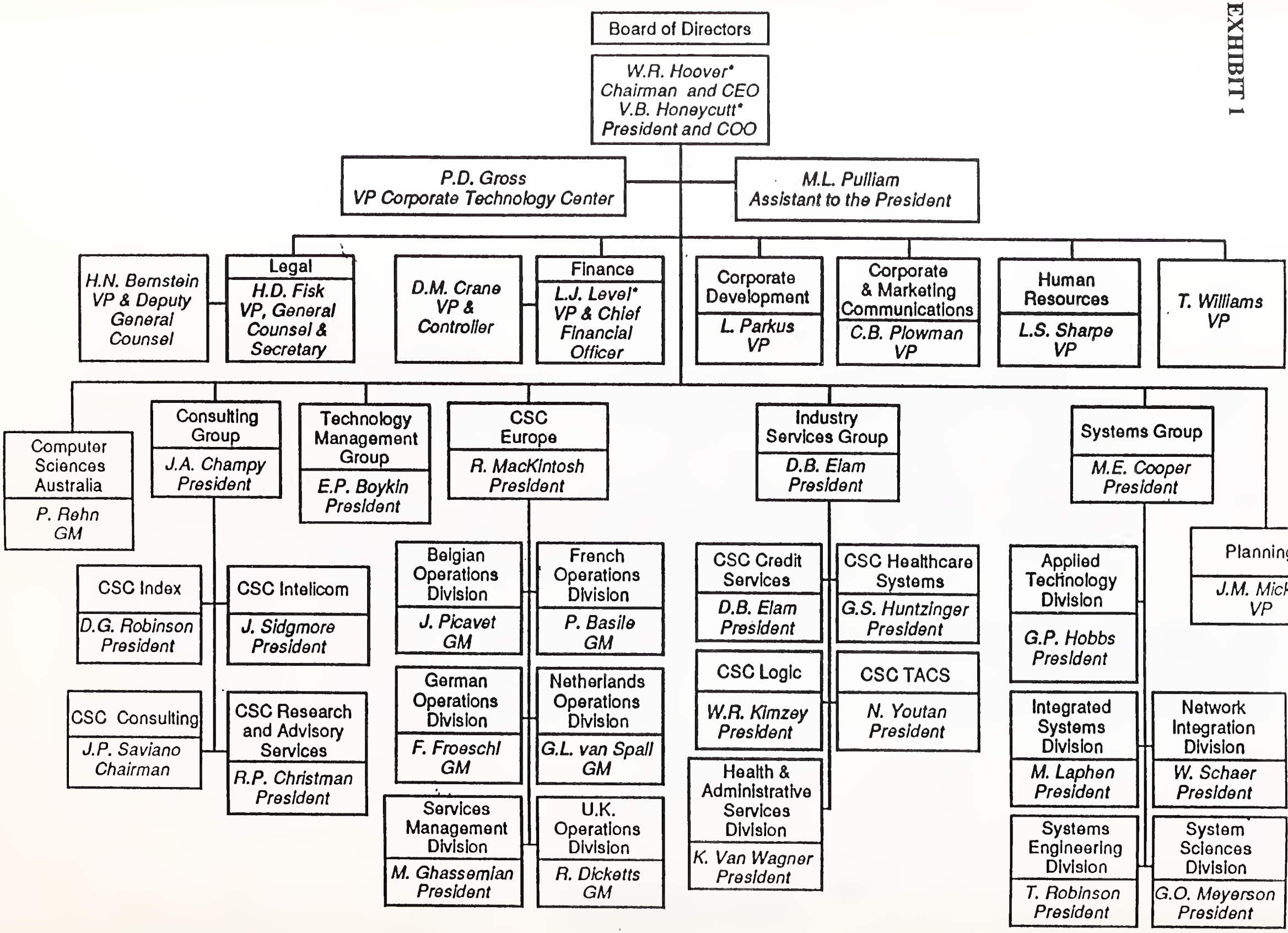
EXHIBIT 1



Shaded boxes indicate principal organizations involved in marketing, sales and account management for the commerical market place.

Computer Sciences Corporation Organization Chart

EXHIBIT 1



COMPUTER SCIENCES CORPORATION

Place of Services Sales Organizations Within Product Companies

Not Applicable

Salesforce compensation

The partners involved in sales receive high salaries plus additional compensation for sales. Direct reports involved in sales can also receive additional compensation. The direct reports and others involved in account management know that the possibility of becoming partners as well as of gaining raises and maintaining jobs is dependent on making sales and handling projects well according to contacts at CSC.

Commonalities and Differences in Sales of Different Offerings

- Services Including SI and Outsourcing

As noted above, all services including SI are sold in a similar way except for sales of outsourcing. In the sale of outsourcing, the Outsourcing Marketing Division is usually involved and it can call upon multiple groups to help make the sale. This division has gained sufficient experience in sales of big outsourcing contracts to have notable strength in gaining these contracts. An account manager reporting to Operations will be selected to run all types of projects, but may have to call upon other internal groups for aid for outsourcing projects.

- Staffing

For consulting, professional services and SI jobs, as noted before, sales activity is initiated by partners and their staffs and the staffing comes chiefly from CSC Consulting, but other groups can be called upon. For outsourcing jobs, the Outsourcing Marketing Group becomes involved, and it may call upon additional resources to sell and implement jobs. The Technology Management Group is often called upon as a subcontractor for outsourcing jobs also.

- Reporting and Organization

As indicated above, the organization and reporting for outsourcing is different from that of other activities.

- Across Separate Units and Sales Organizations

There is not as much difference across units and sales organizations as there is in product companies, but a different organization is involved in sales and follow up activities for outsourcing as indicated above.

- For Outsourcing Within a Computer Systems Company

Not Applicable

Alliances, Partners and VARs (In general and for outsourcing)

- Role and Extent of Use

CSC has used partners and allies in a number of situations as indicated in Exhibit 2, but not to the extent of Andersen Consulting. These arrangements are generally used to meet new opportunities or fill in a capability. CSC has eventually acquired some partners in the past.

- How are Companies Compensated for Leads

Individual arrangements are made with other companies when opportunities present themselves. Some of these include compensation for leads.

- How are Hardware Resellers Compensated for Lost Hardware Business

This could be achieved if a hardware reseller could make an arrangement with CSC to bring in business in exchange for sufficient compensation to offset a loss in hardware business.

Exhibit 2

Examples of CSC Partners and Allies

- Equifax to provide credit services
- Equifax and Merel to operate credit services
- Sun to supply SI solutions in the wireless telecommunications market
- HP to supply SI systems for fortune 200 accounts
- Long term arrangement with ATT&T to supply system solutions
- Coral Systems to supply their software products and services
- Joint agreement with LM Ericsson to supply open systems services
- Marketing agreement with Davox to supply integrated networks

Profile: EDS

Organization Chart

The organization of EDS helps to focus attention on sales and account support and motivate sales and account management personnel apart from compensation. Exhibit 1A illustrates the EDS concept of its organization in which the client occupies the central position and Exhibit 1B indicates the actual organization structure. The SBU (strategic business unit) handles the account within an industry and geographic/cultural framework supported by SSUs (strategic support units) from the EDS infrastructure or corporate organization. The infrastructure contains IT skills or services and business functions from human resources to purchasing or planning and the corporate organization is composed of administrative units. The infrastructure and corporate organizations are detailed further in Exhibit 2, and the industry and geographic groupings are shown in Exhibit 3.

Account Management Process

New sales activities and account management are separated within an SBU. The sales activities are handled by personnel experienced in sales as well as the industries and applications that the SBU is responsible for. In a large SBU, the sales personnel may be divided into groups specialized in certain areas. Add on sales at an account are handled by an account manager.

The account management process starts when an account appears likely to close. A search is conducted in the SBU to identify a potential account manager. Since EDS expects to achieve long term relationships with accounts, this search is regarded as critical. For the successful candidate, this process could result in relocation and even a career shift. Once an account is closed, the account manager is responsible for relationship management of the account and add on sales. Account managers report to the operations unit within the SBU.

The delivery team that will ensure that the project is successful will be assembled from support service units within the SBU and possibly from SSUs within the infrastructure. The account manager can utilize or reject assistance from groups with specialized knowledge within the infrastructure even if their use appears desirable. This enables account managers to have more control over project costs although it may limit the use of expertise at times.

Exhibit 1

ELECTRONIC DATA SYSTEMS CORPORATION

EDS Organization - Concept

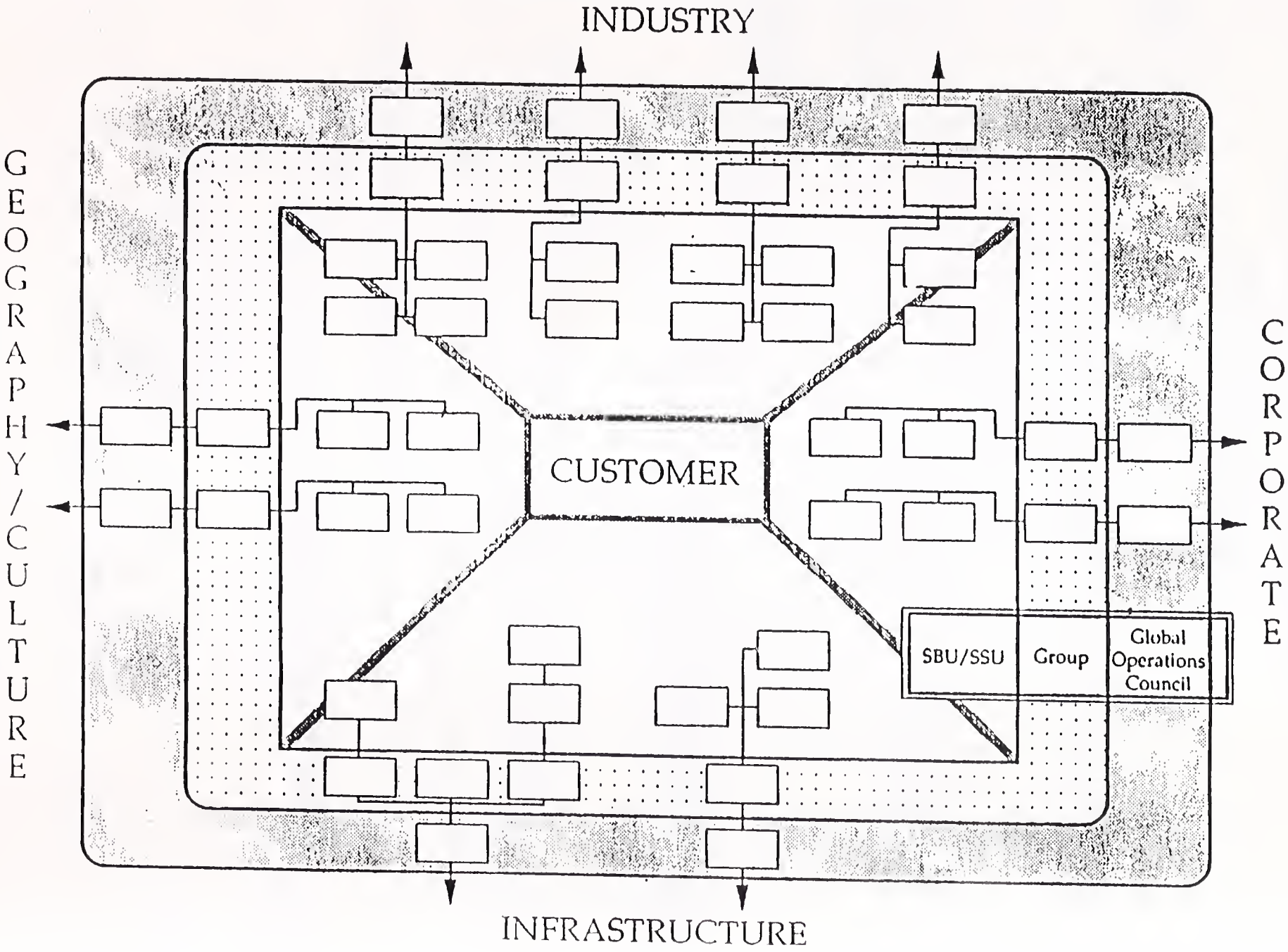
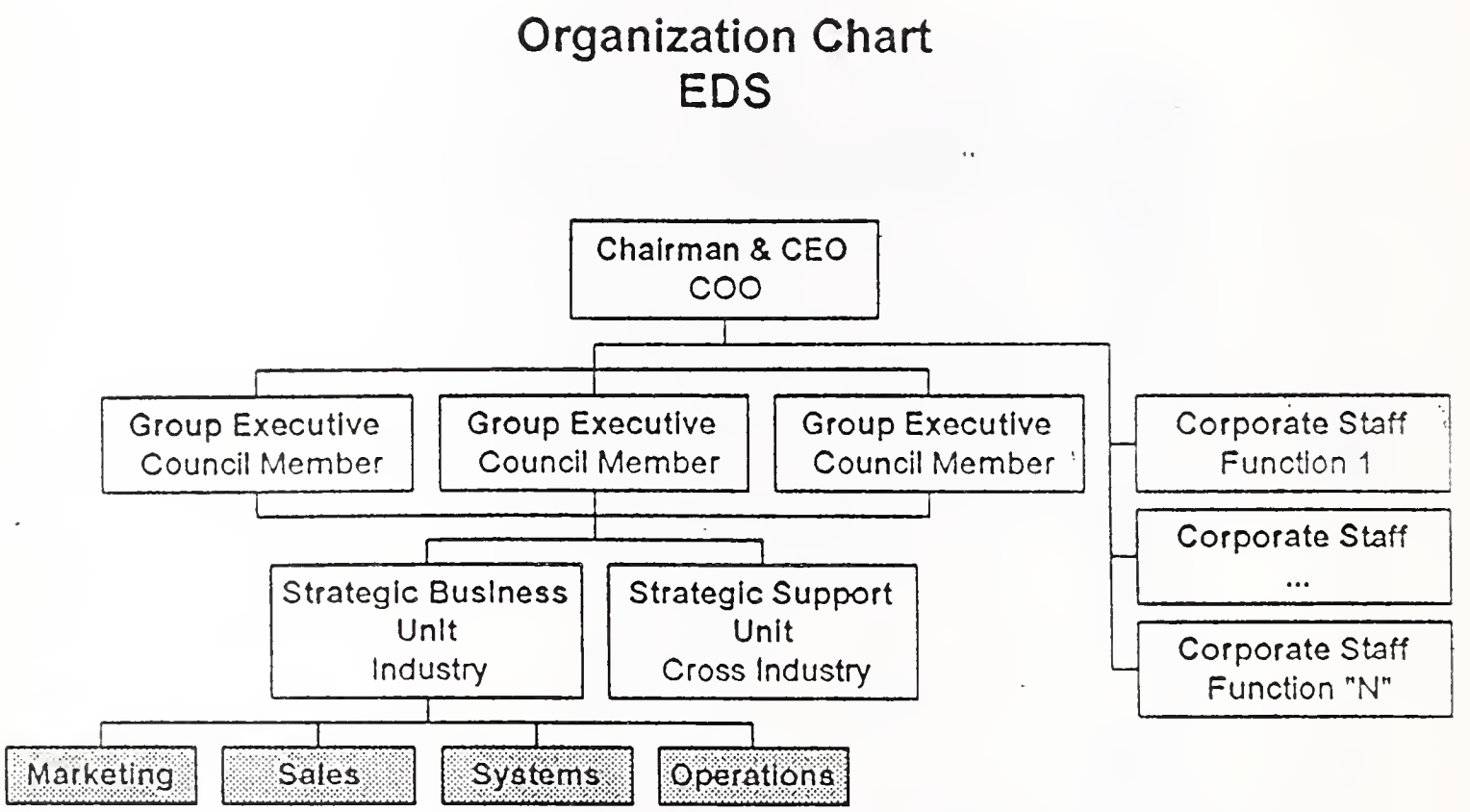


EXHIBIT 1A



Shaded boxes indicate principal organizations involved in marketing, sales and account management for the commerical market place.

- Each group executive may have multiple business units and/or support units.
- Some corporate staff functions, such as marketing belong to group executives.
- Strategic support units support multiple industry groups.

Exhibit 2

ELECTRONIC DATA SYSTEMS CORPORATION

ORGANIZATION COMPONENTS

COMPONENT	GROUP	UNIT(S)
Infrastructure	Administration	Chief Information Office; Employee Administration; Purchasing; Real Estate
	Business Development	Americas; Asia/Pacific and Japan; Europe
	Centers of Service	Core Capabilities; Electronic Commerce; Shared Services; Technical Products; Unigraphics
	Consulting	
	Customer Business Services	Account Services; Field Services
	Employee Development	Compensation; Industry Training; Leadership Development; Quality; Staffing; Technical Development
	Infrastructure Engineering	Applied Engineering; Core Engineering
	Market Development	Marketing; Marketing Support; Sales Leadership; Strategic Planning
	Operating Services	Operating Services--Client/Server; Operations; Operations--Europe
	Research & Development	--
	Technology Architecture	Infrastructure Planning; Systems & Methods; Technology Architecture--Client/Server
Corporate	Audit; Communications & Public Affairs; Controller; Government Affairs; Legal; Tax; Treasurer	--

Exhibit 3

ELECTRONIC DATA SYSTEMS CORPORATION

ORGANIZATION COMPONENTS

COMPONENT	GROUP	UNIT(S)
Industry	General Motors	Planning and Integration; GM Europe; Advanced Technology; Powertrain and Delco Electronics; North American Vehicle Sales and Marketing; Dealer Systems; Worldwide Components; Operations and Staffs Support; Allison Transmission, AGT, and Electro-motive: N.A. Passenger Car & Truck Platforms; Regional Support Centers
	Manufacturing	Manufacturing and Distribution; High Technology
	Financial	Large Financial Institutions; Small Financial Institutions; GMAC
	Transportation	Transportation
	Communications	Communications
	Energy	Energy
	Insurance	Health; Property & Casualty; Life
Geography/Culture Americas	U.S.	Government--Federal; Government--Military; Government--State and Local; Commercial Services
	Non U.S.	Canada; Mexico; South and Central America
Geography/Culture Europe	Europe--Central	Germany
	Europe--North	U.K.; Benelux and Scandinavia
	Europe--South	France; Spain and Italy
Geography/Culture Asia/Pacific	Japan	Japan
	Asia/Pacific	Korea; Australia and New Zealand; Taiwan; Hong Kong; China; Singapore

(continued)

Place of Services Sales Organizations Within Product Companies

Not applicable

Salesforce compensation

The sales staff within an SBU as described above are paid very well, and they are motivated financially to support each other in closing accounts. This makes a sales person who has expertise in manufacturing seek the aid of a sales staff member with expertise in purchasing if that is needed to close an account. There is intense pressure on achieving SBU goals that helps to motivate sales efforts.

Commonalities and Differences in Sales of Different Offerings

- Services Including SI and Outsourcing

The use of a separate sales staff to sell new accounts with add on or ongoing sales at existing accounts handled by an account manager is used for all work by EDS including SI, SO, BPR and management consulting, or professional services assignments.

- Staffing

EDS utilizes the same approach for hiring personnel for the sales of all services in most cases. Most new hires are people with college degrees and limited experience who learn the business from the ground up at EDS. People with interest and capabilities in sales gravitate to sales positions from systems assignments in general. Some sales staff have prior sales experience and are recruited to fill a need such as selling a relatively new offering like BPR. The SBU will provide additional training from EDS resources. New sales personnel will work with more experienced mentors until they can function on their own.

- Reporting and Organization

The methods are identical across services as noted above.

- Across Separate Units and Sales Organizations

Not applicable.

- For Outsourcing Within a Computer Systems Company

Not applicable

Alliances, Partners and VARs (In general and for outsourcing)

- Role and Extent of Use

EDS is prepared to consider partnering or an alliance with other firms to obtain services jobs. Exhibit 4 illustrates that EDS has entered into a large number of relationships.

- How are Companies Compensated for Leads

EDS is prepared to accept assignments or parts of jobs in which other participant(s) would do segments of the job and receive compensation for them, and EDS would receive compensation from the client or lead contractor for its part. Where an ally wanted compensation for just finding the job, EDS would be willing to negotiate, but would tend to take over the relationship with the client.

- How are Hardware Resellers Compensated for Lost Hardware Business

If the hardware reseller can participate in a partnering situation with EDS, there may be opportunities to share in work or equipment business in the future. EDS is unlikely to try to protect the reseller when assessing what should be done for a client.

EXHIBIT 4

Partnering: EDS has various ongoing relationships with more than 5,000 vendors worldwide. A sampling of current joint ventures, joint development and other agreements includes the following:

Joint Ventures: Sony, Hughes Aircraft, 3Com, Compaq, Orion Pritzker, Olivetti Beijing Municipal Government, Telefonica, China Management Systems, Lucky Goldstar, CAMI Automotive, STM (Korea), Hitachi Data Systems Holding Corporation, Apple Computer, and Emperion.

Joint Development: AT&T,IBM, Sun Microsystems, France Telecom, and CAMDAM

Agreements: Interprice Systems, Hewlett-Packard, Intergraph, CGI Systems, Apple Computer.

Prepared by INPUT

Profile: ISSC

Organization Chart

The organization and method of operation of ISSC have made it effective in gaining and performing work. ISSC is organized to support the IBM classification of industry groups as shown in Exhibit 1. Each of the industry oriented groups has sales and service personnel reporting to an executive at the vice presidential level. The capabilities of the staff and the offices of IBM that ISSC can call on for additional capabilities are shown in Exhibit 2.

Account Management Process

ISSC receives leads from both the trading areas and board level contacts. ISSC also has the right to review any deal at IBM that amounts to more than $5 million. This tends to ensure that larger contracts involving SI or outsourcing will come to the attention of ISSC. In sales presentations, staff in the relevant industry group at ISSC are involved although personnel at other offices can be called upon.

When service projects are initiated, the project manager and team come chiefly from the industry group that is relevant. Assistance can be called upon from other offices including the Consulting Group and trading areas if necessary. A project manager or team leader will generally only be involved with one project. During the project and for a period after completion, the head of the industry group in ISSC or one of his direct reports will handle relations with the client.

Place of Services Sales Organizations Within Product Companies

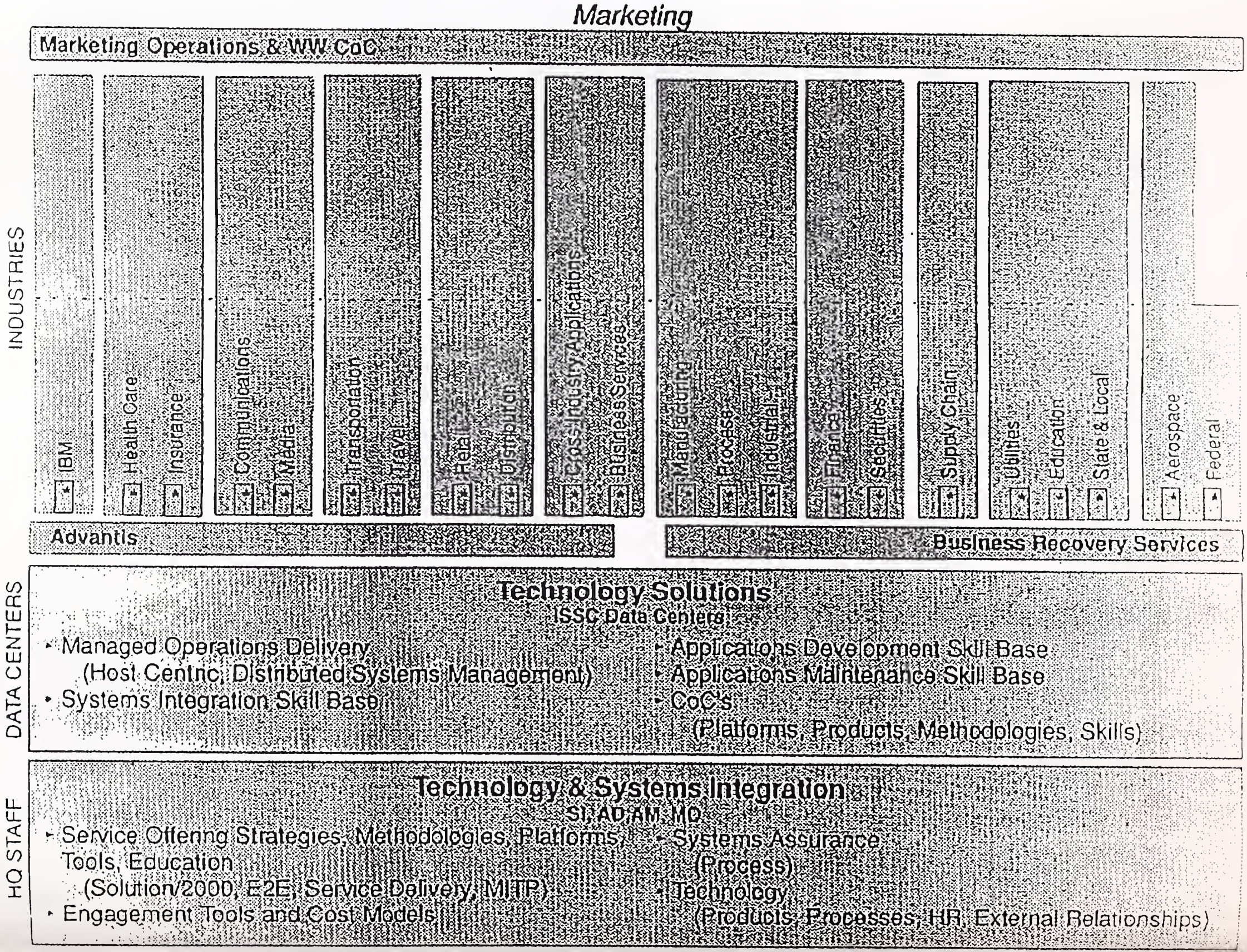
Trading areas can handle some sales of services as well as products, but for all outsourcing and large SI or other service jobs, ISSC will be called in.

Salesforce compensation

Trading area sales personnel are compensated for the jobs they bring to ISSC as well as for services and products supplied through the trading area. The executives and direct reports in ISSC who are involved in closing sales receive additional compensation to reflect their successes in addition to high salaries.

ISSC Vertical Industry Structure

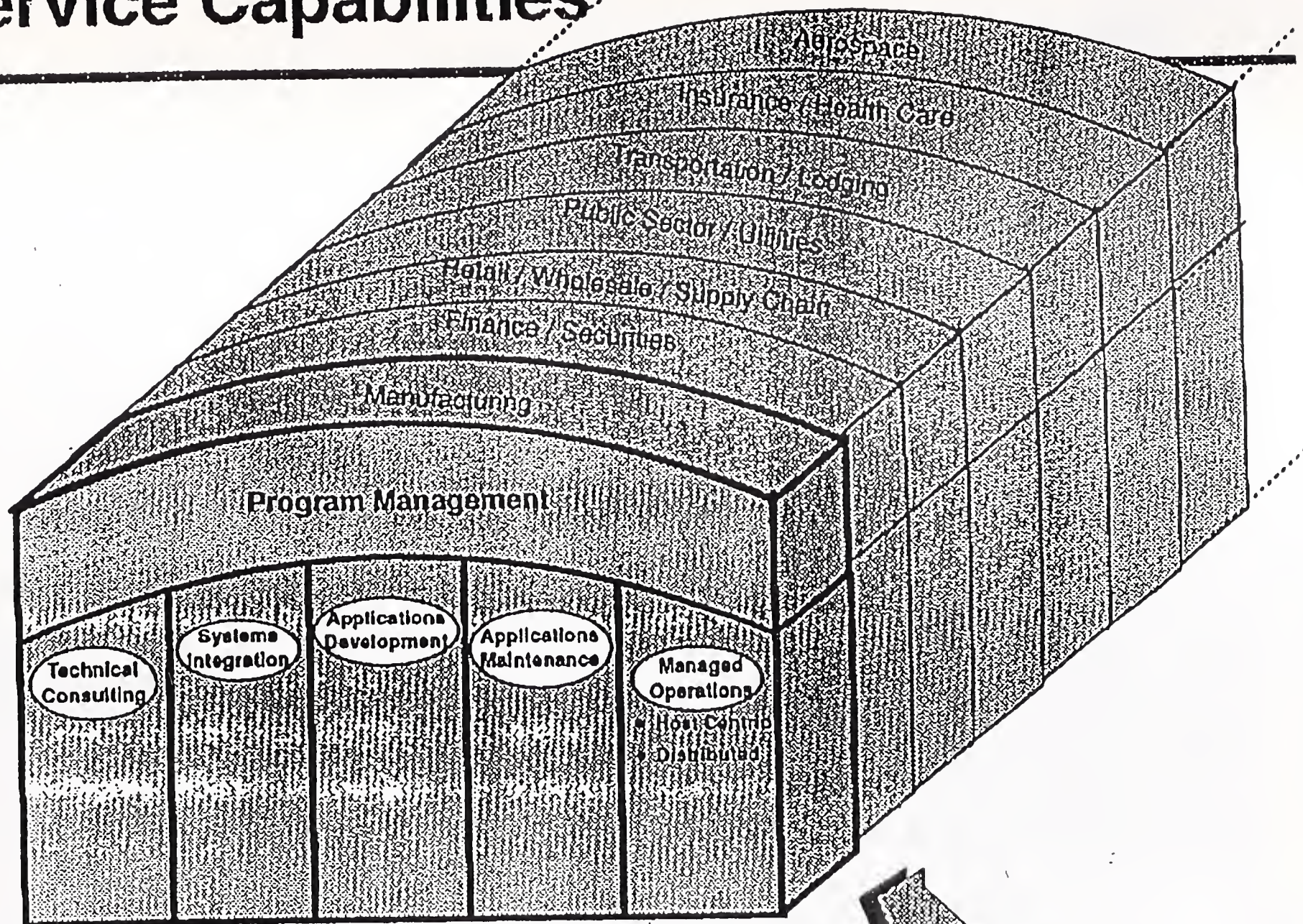
EXHIBIT 1



ISSC Service Capabilities

EXHIBIT 2

Advantis
(Network)



IBM Consulting Group
(Business Transformation)

HW/SW Network Integration
- **Design/Architecture**
- **Development / deployment**
- **Training**

BRS
(Business Recovery Services)

ISSC

Commonalities and Differences in Sales of Different Offerings

- Services Including SI and Outsourcing

As described above, trading areas can be involved in the sales and delivery of services, at times, as well as the sales of products. For larger sales of services and most if not all sales of outsourcing, trading areas are involved in sales and delivery of services.

- Staffing

IBM has hired some people with services experience for ISSC. Also, many people with services experience at IBM have been transferred to ISSC, particularly from the IBM federal office. People in trading areas at IBM who are selling products are generally college graduates who have been hired and trained by IBM.

- Reporting and Organization

Differences in organization and reporting for the trading areas versus ISSC are discussed above.

- Across Separate Units and Sales Organizations

There is only a difference in the sales of large services jobs including outsourcing when they are being sold by ISSC. When the trading area calls ISSC in or ISSC decides to step in since a services job is large, the sales effort is taken over by ISSC, and ISSC will also perform the services work that is to be done as described above..

- For Outsourcing Within a Computer Systems Company

ISSC will be responsible for practically all outsourcing as described in the foregoing material.

Alliances, Partners and VARs (In general and for outsourcing)

- Role and Extent of Use

IBM has had many alliances and partnerships in the sale of services and equipment and has formal programs for resellers.

- How are Companies Compensated for Leads

This is spelled out in an arrangement which details what each participant in a multivendor contract will due. However, IBM and ISSC are not apt to pay very much for situations that just involve a sales lead according to several companies that have worked with IBM.

- How are Hardware Resellers Compensated for Lost Hardware Business

The arrangement mentioned above may allow for this, but there may be little compensation according to contacts with resellers.

Profile: Unisys

Organization Chart

Unisys changed its organization to the overall structure illustrated by the chart shown in Exhibit 1 in order to obtain a larger share of the information services business as well as support the sales of more IT equipment. The establishment of the Information Services and Systems Group (ISSG) and the Worldwide Information Services (WWIS) Division within it has resulted in more services revenues, and it probably has resulted in more sales of Unisys IT equipment. However, the WWIS organization may decide that another vendor's equipment makes more sense for part or all of an application and recommend that equipment. Although this approach gave WWIS more credibility as a service vendor, it resulted in problems between the services and equipment organizations. The product organizations did not always bring new service opportunities to the attention of the services group right away. In order to overcome this situation, Unisys has brought all contact people in the geographic organizations under the control of the ISSG.

Account Management Process

Geographic sales personnel bring WWIS consultants into situations requiring services. (If the sales situation requires only new equipment or equipment upgrades, the sales personnel and product groups would handle the contact.) Sales of services and implementation of SI, professional services and outsourcing projects are the responsibility of WWIS. If a decision is made during services assignments to utilize Unisys equipment and software, the sales personnel in product units will be called upon to support those orders. The project manager and personnel called upon to implement a project can come from WWIS or other organizational units. When the project is finished, they may return to those units. All add on sales of services will be handled by the WWIS personnel handling an account. The personnel managing projects and sales are called principals and resemble to some extent, the partners in "big 6" firms and CSC.

Place of Services Sales Organizations Within Product Companies

As described above, geographic sales offices in ISSG handle account contact and the services sales organization in WWIS, another office in ISSG, are brought in to handle sales of services. It is possible that the geographic sales personnel will try to nail down Unisys equipment sales before WWIS can review the situation and decide that another equipment approach should be sold.

EXHIBIT 1

Unisys at a Glance

	Business	Principal Products or Services
Information Services and Systems Integration	Assist clients in using information and applying technology to achieve their business goals. Help clients define market opportunities and buyer values; analyze their industry position and develop competitive strategies; plan and use information; reengineer work flows and business processes; and design, integrate, and manage information systems.	Information services include integration, outsourcing, and solution services as well as research and strategic services, information planning, and process redesign services.
Enterprise Systems and Servers	Deliver powerful systems that run an organization's core business-critical information management applications. These systems, traditionally classified as mainframes, are rapidly evolving from centralized systems to a new class – enterprise servers – designed to distribute processing across the enterprise. Enterprise servers combine the functional richness of mainframes with the low-cost platform, scalability, and interoperability of departmental servers.	Enterprise systems and servers include the 2200 and A Series families of products as well as the new, industry-leading 2200/500, A 11, and A 7 open enterprise servers that have been developed using advanced, low-cost processor technology. Also includes a complete line of peripheral products.
Departmental Servers and Desktop Systems	Provide one of the industry's broadest range of mid-range servers and client desktop systems based on a common architecture of standard Intel microprocessors.	Departmental servers and desktop systems include the U 6000 family of UNIX network and document imaging servers, the CTOS family of networked servers and workstations, and the PW² family of networked personal computers. Includes systems based on Microsoft Windows NT.
Software	Offer specialized, line-of-business application software, imaging software, and systems software products needed by our clients to compete effectively in their markets, reduce costs, and make effective use of their information systems.	Application software includes a range of specialized solutions for the company's core lines of business. Other software products comprise applications development, database management, systems management, networking, and transaction processing products including Open/OLTP software. Platforms include UNIX, Microsoft Windows, Microsoft Windows NT, MCP, OS 2200, and CTOS.
Custom Defense Systems	Provide integrated, complex systems, electronic products, software, professional services, and life-cycle support for specialized defense applications.	Products include U.S. Navy standard computers, combat systems, navigation systems, airborne mission systems, surveillance systems and software services for Naval tactical systems, military information systems, and antisubmarine warfare systems.
Equipment Maintenance	Provide our clients with timely, cost-effective, comprehensive maintenance services, spare parts, and other repair activities needed to ensure reliable, continuous operation of their information systems.	Service maintenance plans are offered under the Surety 2000 label in the United States and A la Carte in Europe and Pacific-Asia-Americas regions.

Salesforce compensation

Geographic sales personnel receive commission for sales of services. The principals and some other personnel in WWIS who are involved in sales can receive additional compensation for sales. They also receive substantial salaries.

Commonalities and Differences in Sales of Different Offerings

- Services Including SI and Outsourcing

The geographic contact process is the same for all offeings. If services including outsourcing are involved in the requirements of prospects, WWIS will be called in to handle sales and resulting services work. Otherwise, the geographic office will handle work together with the product offices involved in prospect needs..

- Staffing

  Unisys has tended to hire people with prior experience for its services work and to hire experienced people and college graduates who will be trained for its product businesses. Recently, Unisys announced that it will initiate a large program to hire and train college graduates for sales and implementation positions in its services activities.

- Reporting and Organization

Differences in organization are discussed above. As noted, the geographic sales people will handle reporting and work with product people if services are not involved. If services are involved (outsourcing or sales of equipment with SI or professional services), the WWIS office of ISSG will be involved and additional reporting will be required.

- Across Separate Units and Sales Organizations

The way in which sales will differ when services including outsourcing are involved, is discussed above.

- For Outsourcing Within a Computer Systems Company

Outsourcing will result in an additional sales role by WWIS as well as the geographic sales role that takes place when other sales are involved. Implementation activities by WWIS will also be required for outsourcing.

Alliances, Partners and VARs (In general and for outsourcing)

- Role and Extent of Use

Unisys is willing to utilize partners or allies as shown in Exhibit 2.

- How are Companies Compensated for Leads

An arrangement is generally negotiated that spells out what each partner or ally will bring to the table. Unisys has experience in the federal government as well as commercially with negotiations that arrange for compensation for work or leads.

- How are Hardware Resellers Compensated for Lost Hardware Business

The negotiation mentioned above may allow for this. If the hardware reseller has been important in regard to sales and knowledge of certain markets, Unisys has been more inclined to allow for lost hardware business.

Exhibit 2

Examples of UNISYS Allies and Partners

- KPMG for industry experience and software products
- Information Technology Inc., for banking and credit software products
- Westinghouse for jointly developed new radar system
- The FAA to upgrade systems used to manage air traffic
- Consulting relationships with Kaiser Associates, Inc., Mercer Management Consulting and Monitor Company to gain aid with strategic planning, market analysis and BPR
- Systematics in the delivery of imaging systems for banking